IRPP

Thomas J.
Courchene

Embedding Globalization: A Human Capital Perspective

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Biographical note

Thomas J. Courchene was born in Wakaw, Saskatchewan, and was educated at the University of Saskatchewan (Honours B.A., 1962) and Princeton University (Ph.D., 1967). From 1965 to 1988 he was a Professor of Economics at the University of Western Ontario. Dr. Courchene spent the fall term of 1986 as a visiting Professor at École nationale d'administration publique (Montreal). For the academic year 1987/88, he occupied the John P. Robarts Chair in Canadian Studies at York University. In 1988, he accepted the Directorship of Queen's new School of Policy Studies (1988-92). Currently, Courchene is the Jarislowsky-Deutsch Professor of Economic and Financial Policy at Queen's, is a member of the Department of Economics, the School of Policy Studies and the Faculty of Law, and a Senior Scholar at the IRPP.

An earlier version of this paper was initially presented as a Canada House Lecture, October 5, 2001, Trafalgar Square, London.

Summary

Far and away the most daunting challenge in terms of the march of globalization and the knowledge/information revolution (GIR) is to ensure that increasing international economic integration does not lead to increasing domestic social disintegration. In this regard the genius underlying the international institutional arrangements in the immediate post-war period was the "compromise of embedded liberalism," which facilitated the growth of the welfare state alongside freer international trade and openness. As the title indicates, the purpose of this *Policy Matters* is to strive to similarly embed globalization (or GIR) both domestically and internationally.

Probably the most exciting implication of GIR is that citizens are the principal beneficiaries of the information revolution. Indeed, the emergence of information-empowered citizens/NGOs, acting within and across nations, is fundamentally altering the nature of supranational governance. And the most disturbing implication of GIR is surely its tendency to polarize market incomes. In light of these and other implications, the analysis articulates a human capital future for Canadians as the appropriate way to embed GIR domestically. In short, Canada must strive to become a state of minds, since democratizing the access to human capital and skills acquisition in an information era is key to generating wealth creation, to combatting inequality, to raising living standards and to enfranchising individuals as citizens.

As a bridge between the domestic and international approaches to accommodating GIR, the analysis emphasizes that civil society, in its role in generating new bonds of community and creating new spheres of effective citizenship, is emerging as one of the essential instrumentalities in responding to the impersonalized forces of globalization. Intriguingly, while civil society's contributions are increasingly valued at the national level, this is not the case at the supranational level where these same NGOs and citizens' groups are locking horns with the various agencies of the international order, such as the WTO, IMF and the World Bank, as well as transnational enterprises.

While recognizing this reality, as reflected in the confrontations in Seattle, Quebec City, and Genoa among other venues, the analysis adopts an optimistic stand on the future role of these NGOs as they interact at the supranational level. Specifically, now that they know they have power sufficient to derail (the MAI) or disrupt (the "battle in Seattle") approaches to international governance, they will surely begin to play a more constructive role, since derailing or disrupting will only serve to privatize international trading relations and, in the process, transfer increased powers to multinationals, largely US multinationals. The chal-

lenge therefore is to find some "space" within which they can make meaningful contributions.

In addressing these issues, the analysis again looks on the positive side. Among the many promising ways for improving global governance or, more particularly, for introducing the necessary transparency, accountability and participation requisites to allow further globalization or further WTO rounds to proceed, are the following:

- Nudging the WTO in the direction of an institution that manages/reconciles differences among nations rather than attempts to eliminate such differences, i.e. make the WTO less sovereignty intrusive;
- The movement toward a series of WxOs modelled after the WTO, where x could be the environment (WEO), rights (WRO), etc. In turn these WxOs would coordinate to bring their combined expertise to international regulation and dispute resolution;
- The United Nations' Global Compact, which represents a creative and voluntary approach to incorporate some basic social, environmental, and workplace rights as a component of corporate governance;
- The likelihood that citizen-driven initiatives will develop codes of good corporate governance that consumers will embrace, thereby creating market-related incentives for corporations to adopt them as well;
- The emergence of the G-20 as the most representative of international institutions and, as such, a natural institution for reconciling a variety of global civil society concerns.

In short, there now exists a promising window of opportunity for rethinking and embedding global governance such that GIR can work for people and not just for profits. Intriguingly, this window may have become more open after the dastardly events of September 11, 2001, since the U.S.A. may now have to engage more in all things international.

Résumé

Face à la mondialisation et à la révolution de l'information (MRI), le défi le plus exigeant consiste à éviter que l'intégration grandissante de l'économie mondiale n'accentue la désintégration sociale au sein des nations. Le coup de génie des arrangements institutionnels mis en place dans l'immédiat après-guerre reflétait le compromis réalisé à l'époque, celui du « libéralisme intégré », qui a favorisé l'essor de l'État-providence en même temps que celui des échanges commerciaux et des relations internationales. La présente analyse explore les pistes qui nous permettrait de trouver le même genre de compromis en vue de domestiquer la MRI.

Sans doute l'effet le plus intéressant de la MRI est-il d'avoir fait des citoyens les premiers bénéficiaires de la révolution de l'information, comme en témoigne l'émergence d'associations et d'ONG bien informées, actives à l'échelle nationale et internationale, et qui sont en passe de modifier fondamentalement la gestion supranationale. D'un autre côté, sa tendance à accentuer la polarisation des revenus de marché est sans doute son effet le plus troublant. Cette étude préconise la mise en valeur du capital humain pour garantir une appropriation réussie de la MRI. Autrement dit, le Canada doit tout mettre en œuvre pour devenir un « État d'esprits ». La démocratisation du capital humain et l'accessibilité aux compétences sont les deux clés pour créer la richesse, aplanir les inégalités, relever la qualité de vie et renforcer le pouvoir des citoyens.

Parce qu'elle permet de réinventer la solidarité collective et de créer de nouvelles sphères de citoyenneté, la société civile est en train de s'imposer comme un instrument essentiel pour contrer les forces impersonnelles de la mondialisation. Mais curieusement, si sa contribution est de plus en plus valorisée au sein des nations, il en va tout autrement au niveau supranational où les ONG et autres associations de citoyens entrent en conflit avec les organisations mondiales comme l'OMC, le FMI et la Banque mondiale, sans parler bien sûr des multinationales.

Tout en reconnaissant ce phénomène, évident lors des confrontations de Seattle, de Québec ou de Genève, l'auteur se veut malgré tout optimiste quant au rôle futur des ONG. En effet, parce qu'elles sont désormais conscientes de détenir le pouvoir de compromettre (comme avec l'AMI) ou de perturber (comme à Seattle) les initiatives en faveur d'une gouverne internationale, l'auteur est d'avis que les ONG adopteront une démarche plus constructive; ce changement s'impose d'autant plus qu'une stratégie d'obstruction ne pourra mener, à terme, qu'à la privatisation des échanges commerciaux internationaux, ce qui renforcerait le pouvoir des multinationales et en premier lieu des multinationales américaines. L'enjeu consiste dès lors à trouver l'« espace » au sein duquel leur contribution sera la plus significative.

Pour améliorer la gouverne mondiale ou, plus précisément, pour mettre en œuvre les mesures de transparence, d'imputabilité et de participation qui assureront la bonne marche de la mondialisation ou des rencontres de l'OMC, il existe ainsi plusieurs voies prometteuses, dont les suivantes :

- Faire pressions sur l'OMC en vue de la faire évoluer dans le sens d'une institution de gestion et de conciliation des différences entre nations plutôt que de nivellement de ces différences, selon une démarche plus respectueuse de la souveraineté.
- Le mouvement en faveur d'une série d'OM*x* créées sur le modèle de l'OMC — le *x* désignant, selon le cas, l'environnement (OME), les droits de la personne (OMDP), etc. —, qui coordonneraient leur expertise pour contribuer aux réglementations internationales et à la résolution des conflits.
- Le *Global Compact* des Nations unies, inspiré d'une approche créative et volontaire d'intégration à la gestion d'entreprise d'un minimum de droits sociaux, environnementaux et du travail.
- La probabilité que les actions de la société civile suscitent la mise au point de codes de gestion responsable que les consommateurs adopteront, ce qui devrait inciter les entreprises à les adopter aussi.
- L'émergence du G-20 en tant qu'institution internationale la plus représentative et, par conséquent, la mieux à même de concilier un vaste éventail de questions préoccupant la société civile mondiale.

Bref, il existe aujourd'hui d'intéressantes avenues pour repenser et intégrer la gouverne mondiale de manière à ce que la MRI ne profite pas seulement aux entreprises mais aussi aux citoyens. Amère ironie : cette réorientation a sans doute de meilleures chances de réussite depuis les terribles événements du 11 septembre 2001, qui forceront peut-être les États-Unis à raffermir leur engagement international.

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The challenge of globalization in the new century is not to stop the expansion of global markets. The challenge is to find the rules and institutions for stronger governance – local, national, regional and global – to preserve the advantages of global markets and competition, but to provide enough space for human, community and environmental resources to ensure that globalization works for people – not just for profits.

–United Nations Human Development Report[1]

Introduction

Far and away the most daunting and probably the most cited challenge in terms of the march of globalization and the knowledge/information revolution (henceforth GIR) is that penned by Dani Rodrik, namely "ensuring that international economic integration does not lead to domestic social disintegration."[2] Arguably, this is one interpretation of what the demonstrations in Seattle, Quebec City and Genoa were all about. While we must, of course, guard against this potentiality ever becoming a reality, the thrust of the ensuing analysis is that coexisting with, and progressively eclipsing, the litany of social evils anti-globalists associate with the new order is a burgeoning and exciting series of societal opportunities that hold enormous promise for advancing citizenship, democracy and social equity. As the frontispiece suggests, rather than attempting to roll back globalization (many aspects of which are irreversible in any event), the goal should be to ensure that globalization also and primarily works for people.

That economic integration and social cohesion can go hand in hand was clearly demonstrated by the post-war "compromise of embedded liberalism":

Societies were asked to embrace the changes and dislocation attending liberalization. In turn, liberalization and its effects were cushioned by the newly acquired economic and social policy roles of governments.[3]

As a result, the welfare state grew apace with increasing international openness. Indeed, "it is in the most open countries, such as Sweden, Denmark and the Netherlands, that spending on transfers has expanded the most."[4] All in all, a remarkable achievement!

Under GIR this compromise appears to be coming unstuck. On the one hand, international markets are dramatically more liberalized, spearheaded by

what Thomas Friedman refers to as the "Electronic Herd."[5] On the other hand, the welfare state appears to be retrenching everywhere, even though the implications of the new global order would argue for an expansion, not a retraction, of policies designed to preserve and promote social cohesion. Writing in 1995, Ruggie posed the ongoing global governance issue as follows: "The world finds itself faced with a challenge which is not unlike the one it faced in 1945, [namely] devising compatible forms of international liberalization and domestic stability."[6]

In this light, the following analysis focuses on the processes and policies and, in turn, on the prospects for ensuring that the new global economic order is "embedded in a more inclusive social texture — made up of shared values and international practices that reflect broader societal needs."[7] The key to the analysis is to recognize that there is more than one dynamic component of the new world order. Most of the popular discussion of globalization focuses far too much on transnational enterprises, and on global capital generally, which were first and fast off the mark in profiting from the aspect of globalization relating to the enhanced integration of economic space and the "ultra" mobility of capital and (progressively) of goods and services as well. However, underlying much of the ensuing analysis (and adopted from my recent book, *A State of Minds: Toward a Human Capital Future for Canadians*) is the proposition that over the medium and longer term it will be individuals as consumers and citizens, that will emerge as the principal beneficiaries from that component of globalization relating to information empowerment. The resulting, and admittedly speculative, thesis is that led by these information-empowered citizens interacting within and across nations the stage is set for the various players, even the MNEs, to initiate and collaborate on a set of processes and institutions that holds promise for putting a human face on the new global order.

Toward this end, the paper proceeds along the following lines. It begins by focusing on the "Anatomy of a Paradigm Shift" in which globalization and the information revolution are transforming the long-standing relationships among and between citizens, governments, markets (enterprise) and civil society. The issues addressed here include the trend toward the transfer of powers upward and downward from central governments of nation-states; the income-distributional challenges triggered by the polarization of market incomes; the exciting proposition that information empowerment will lead not to "democracy deficits" as the majority of analysts appear to assert but, rather, to a flourishing of democracy and citizenship; the challenges posed for Canadians by the dramatic shift in our trade away from an east-west axis to a north-south axis; and the role for civil society to provide creative links between citizens and markets (non-profit organizations) and between citizens and governments (the voluntary sector).

"Canada As A State of Minds" then articulates and motivates a human capital and information-empowerment societal mission statement designed to ensure that Canada and Canadians can achieve both economic competitiveness and social cohesion in the twenty-first century global order."

With this citizen-first approach to embedding GIR domestically, the remainder of the paper focuses on the variety of ways in which citizens/civil society, governments and enterprises can make strides toward embedding globalization in the larger context of international governance and the trading regime. The analysis embodies proposals ranging from introducing more flexibility into the WTO, endorsing the UN's Global Compact, designing ways to enhance corporate social responsibility and encouraging NGOs to work with MNEs and governments to inaugurate a series of "ratings" for MNEs, all of which are oriented toward ameliorating any potential trade-off between international competitiveness and national cohesion.

A brief conclusion completes the paper.

The Anatomy of a Paradigm Shift[9]

Appreciating the likely implications of globalization and the knowledge/information revolution (GIR) for the socio-economic dimensions of the new order — let alone for the political issues related to sovereignty, democracy and governance — requires that we understand the ramifications of GIR for society's principal building blocks — citizens, governments, markets and civil society. I begin with a focus on the manner in which individuals in their roles as consumers, citizens and workers are being transformed by the new global order. Informing all the analysis that follows is the assumption, indeed the reality, that the new GIR paradigm is characterized by a progressively global marketplace.

Citizens and the New Global Order

Consumer sovereignty

As already noted, one of the central messages of *A State of Minds* is that individuals will ultimately emerge as the principal beneficiaries of the information revolution. In their role as consumers, they are already clearly in the driver's seat, so much as that in *The Borderless World*, Kenichi Ohmae actually defines globalization as "consumer sovereignty" — e.g. "performance standards are now set in the global marketplace by those that buy the products, not those that regulate them."[10] Indeed, our household PCs are effectively global catalogues and, increasingly, global e-commerce supermarkets.

Citizenship and the democratization of information

While GIR has clearly enfranchised individuals as consumers, the prevalent view is that it is serving to disenfranchise individuals as citizens. Obviously, this cannot be meant to apply at the "macro" level, where the emergence of the new global order and democracy demonstrably go hand in hand. As Huntington noted, over the 1974-1990 period the number of democracies in the world almost doubled and the pace has, if anything, accelerated more recently.[11] Rather, what the proponents of this view presumably have in mind is that, in an increasing number of policy arenas, issues that affect our daily lives are being determined in supranational forums where citizens have no direct representation — hence the frequent reference to "democracy deficits." I think that on at least two counts this seriously misreads the evolving relationship between GIR and democracy/citizenship.

The first is that those who argue that the only way of eliminating the so-called democracy deficits is to extend popular democracy or direct representation to these new forums (e.g. a more powerful European Parliament) are, in my view, falling prey to the last paradigm's (Westphalian) logic. The alternative perspective is to view the exercise of indirect democracy in a much more favourable light in terms of "closing" the assumed democracy deficits. As my Queen's colleague Will Kymlicka has noted:

> *It seems to me that there is no necessary reason why international institutions should be directly accountable to (or accessible to) individual citizens. To be sure, if international institutions are increasingly powerful, they must be held accountable. But why can we not hold them accountable indirectly, by debating at the national level how we want our national governments to act in intergovernmental contexts?*
>
> *It seems clear that this is the way most Europeans themselves wish to reconcile democracy with the growth of the EU. There is very little demand for a strengthened EU Parliament. On the contrary, most people, in virtually all European states, show little interest in the affairs of the European Parliament, and little enthusiasm for increasing its powers.*
>
> *What they want, instead, is to strengthen the accountability of their national governments for how these governments act at the intergovernmental Council of Ministers. That is, citizens in each country want to debate amongst themselves, in their vernacular, what the position of their government should be on EU issues.*[12]

Complementing this emphasis on indirect democracy is the simultaneous

transformation of the role of the nation-state within the hierarchy of power in the new global order. Castells observes that:

> *The emerging forms of governance of international markets and other economic processes involve the major national governments but in a new role: states come to function less as "sovereign" entities and more as components of an "international polity." The central functions of the nation-state will become those of providing legitimacy for and ensuring the accountability of supranational and subnational governance mechanisms. Nation-states will increasingly be nodes of broader networks of power.*[13]

It seems to me, therefore, that greater emphasis on indirect democracy, or on confederal relationships, will increasingly go hand in hand with the evolution of the international polity. More on the interrelationship between nation-states and international governance later.

The second and potentially much more important avenue for ameliorating or finessing any democracy deficits emerges from the fact that like-minded citizens, networking within and between nation-states, will emerge as increasingly dominant players in domestic and world governance. Information empowerment and the democratization of technology will make this so. As Lawrence Grossman, former president of NBC News remarked:

> *Printing made us all readers.*
> *Xeroxing made us all publishers.*
> *Television made us all viewers.*
> *Digitization makes us all broadcasters.*[14]

When this potential is fully harnessed, the result will arguably be the emergence of what I refer to (following the earlier reference to Friedman's "Electronic Herd") as the "Electronic Citizen-Democracy Herd."[15] For example, of the 25,000 NGOs (actually INGOs, where "I" stands for international) listed in the Union of International Organizations, fully 20,000 of them did not exist a decade ago.[16] Thus, these INGOs are the creatures of the democratization of information and technology. Indeed, as Sylvia Ostry notes, it was the Internet that made the anti-globalization movement possible.[17] Canadians ought to be especially aware of this Electronic Citizen-Democracy Herd since it was Canada's Maude Barlow who, along with similarly minded citizens and NGOs from across the globe, successfully harnessed the potential of this democratized information

empowerment to help derail the Multinational Agreement on Investment (MAI). And the "Battle in Seattle," followed by Quebec City and Genoa, are more recent demonstrations of the growing power and influence of this citizen empowerment. Thus, just as globalization is eroding the power of some traditional vested interests in the policy process, the information revolution is facilitating citizen power to more than fill this void at both the domestic and international levels.[18]

Johnson and Mayrand focus on a related implication of the democratization of information:

> *An unprecedented volume of information and ideas is now circulating in real time, often beyond the reach of direct state control. This has a considerable impact on democracy and governance. It thwarts authoritarian state practices to restrict the free flow of ideas. It also allows for the efficient action of non-governmental organizations through unlimited access to networking, thus facilitating democratic processes at the local and international levels. It also contributes to a wider circulation of knowledge among populations, thus putting pressure on local and national policies.*[19]

This is part and parcel of the process of eroding the power and authority of the nation-state from below or within, dealt with in a later section. However, the more exciting flip side of this is that, thanks to the democratization of information and in contrast to popular thinking, we are entering an era that will privilege individuals not only as consumers but also as citizens, domestically and internationally.

As a final comment on the impact of GIR on citizens, it is important to recognize that the rethinking of democracy must also carry over to soveregnty and identity. Again from Kymlicka:

> *Decisions about how to relate to other countries are themselves an important exercise of national sovereignty. It is not always true that we are "forced" by globalization into entering into transnational agreements and organizations. In many cases, entry into transnational arrangements is actively desired. This is perhaps clearer in the European context than in North America. It is quite clear, for example, that the desire of Spain or Greece to join the EU was not simply a matter of economic gain. It was also seen as a way of confirming their status as open, modern, democratic and pluralistic states, after many years of being closed and authoritarian societies.*

> *Similarly, the decision about whether to admit new countries from Eastern Europe to the EU will be decided not just on the basis of economic gain, but also on the basis of moral obligations to assist newly democratizing countries, and on the basis of aspirations to create a Europe free of old divisions and hatreds.*
>
> *In other words, decisions about integrating into transnational institutions are, in part, decisions about what kind of societies people want to live in. Choosing to accept globalization is not necessarily a denial of people's national identity or national autonomy, but may instead be an affirmation of their desired identity, and a deliberate exercise of their national autonomy. Being open to the world is, for many people, an important part of their self-conception as members of modern pluralistic societies, and they autonomously decide to pursue that self-conception through various international agreements and institutions.*[20]

Sorting out these and other complex relationships among democracy, citizenship and sovereignty on the one hand and the nation-state and the international institutional order on the other is well beyond the scope of this paper, although the section on international governance will attempt to make some modest progress in this direction.

Income distribution

To be sure, the new global order is not all good news for individuals. Indeed, arguably the most challenging downside arising from GIR is the polarizing effect it is having on the distribution of market incomes. In large measure this arises because the knowledge/information revolution is privileging skills and human capital in the same way that the earlier Industrial Revolution privileged physical capital. And with knowledge progressively at the cutting edge of competitiveness, the absolute and relative returns to human capital or knowledge workers are rising while those to raw, unskilled work are falling. This is further complicated by the fact that high-level human capital is becoming more mobile internationally, so that in addition to garnering higher market wages human capital is now more difficult to subject to taxation. Hence, in comparison to the status quo ante, not only are market incomes polarizing but after-tax incomes will likely exhibit more polarity still.

Robert Reich in his *Work of Nations* takes this distributional challenge further in the context of identifying three types of workers or jobs — routine production services, in-person services and symbolic-analyst services (i.e.

high-level human capital).[21] His thesis is that the economic star of these symbolic analysts is rising dramatically while it is falling for the other two groups. Reich then notes that these symbolic analysts tend to network internationally and to congregate geographically (e.g. in Silicon Valley and Route 128), so much so that he views them as essentially "seceding" from America and linking themselves to the global economy. The late Christopher Lasch refers to this as the "revolt of the elites" (in contrast to Ortega y Gasset's 1930 classic *Revolt of the Masses*):

> *The elites possess most of the wealth. They are becoming increasingly independent from crumbling industrial cities and crumbling public services because they have their own private schools, private health care, private security, etc. Their market is international and their loyalties are international rather than regional, national or local.*[22]

Actually, the problem goes much deeper. These symbolic analysts have very different economic and social priorities (smaller government, lower taxes, etc.) than do less mobile, let alone immobile, workers. If the symbolic analysts win the political lobbying game, then the problems for immobile factors will be compounded. More importantly, we will be caught in the Rodrik dilemma of having increasing international economic integration triggering domestic social disintegration.

The resulting constellation of challenges — income polarization, the erosion of the bond between the rich and the poor of each cohort, and the saddling of the bulk of the socio-economic costs of globalization on the backs of immobile factors such as unskilled labour — leads to an obvious solution, namely to equalize the opportunity for all Canadians to develop, enhance and employ in Canada their human capital, as the later mission statement will articulate.

I now direct attention to the impact of GIR on governments.

Globalization and Governments

It is by now commonplace to recognize that powers, especially economic powers, are being transferred upwards and downwards from the central governments of nation-states, a process that I have elsewhere labelled as "glocalization." Much of the relevant literature has focused on the upward transfer of powers and responsibilities to supranational institutions or regulatory agencies such as the EU, NAFTA and the European Central Bank (ECB). Some of this transfer can pre-

sumably be rationalized in terms of countervailing power — to ensure that the resulting political or institutional space coincides more closely with the new paradigm's expanded economic space. Some also relates to the economics underpinning the principle of subsidiarity — those factors or areas that are the most mobile (e.g. capital) or are associated with high externalities or spillovers (e.g. the environment) are obvious candidates for an upward transfer of responsibility, whereas immobile factors such as land are obvious candidates for a downward transfer of responsibility (e.g. the privatization of airports). Of course, it also matters how one transfers powers upwards — the goal of a single European market (and the associated EU directives) and the adoption of the euro are much more consistent with closer political integration, or at least regulatory uniformity, than is the sovereignty-preserving "national treatment" principle underpinning NAFTA.

In spite of all the attention focused on the altered role of nation-states in the international institutional order, the erosion of the power and influence of the nation-state from below or from within is every bit as important. Globalization and technology have blurred the line between the public and private sectors, e.g. the availability of "bypass" means that the long-standing tradition of subsidizing local telephone rates from long-distance tolls has given way to competitive long-distance rates. This story is being replicated across other policy areas, as deregulation, contracting out, privatization and decentralization have served to pass powers downward to markets or to local authorities. With the allocative system thus progressively driven by competitive norms, the tax-transfer system will be called upon more and more to carry the bulk of the income distribution role. But even here, taxation systems will likely be tilted toward consumption and away from income since the heightened mobility of physical, financial and, increasingly, human capital means that governments are progressively circumscribed by competitive forces when it comes to taxing and regulating these mobile factors.

However, and as elaborated earlier, among the most powerful and pervasive forces eroding nation-states from within or from below are the democratization of information, the progressive internationalization of major societal issues (human rights, the environment) and the consequent "internationalization" of citizenship.[23] As a result of all of these forces, the Westphalian vision of the nation-state is undergoing dramatic transformation. Nonetheless, as Held has noted, what is needed is not so much a new theory of the modern state, nor a reworking of the international order per se but, rather, a theory of the place of the state and of democracy within the emerging international order.[24] This too will be broached toward the end of this paper.

Markets, Enterprise and the New Global Order

Implications of global integration

As a result of globalization and the information revolution, markets (especially financial markets) are integrating in ways that bridge both time and space on a virtually instantaneous basis, i.e., in "real time." Moreover, the accompanying MNE-driven internationalization of production is wreaking havoc with national welfare states, which were designed initially to mesh with national systems of production. Few countries have given much thought to the optimal design of a national welfare state when production is international. Beyond this, the ultra-mobility of capital and the globalization of markets are creating major societal dislocations. National trade unions are increasingly no match for mobile international capital and production. Indeed, while workers may not be mobile globally, work is mobile as the outsourcing phenomenon reveals. Carnoy and Castells cast all of this into what might be labelled the "citizen-market disconnect":

> *Even without a unified global labour market or a global labour force, there is a global labour dependence in the new economy. The new model of global production and management is tantamount to the simultaneous integration of work and disintegration of workers as a collective.*
>
> *What emerges is the vision of an extraordinarily dynamic, flexible, productive economy alongside an unstable, fragile society, and an increasingly insecure individual.*[25]

Vincent Cable contrasts the challenge facing these relatively immobile and unskilled workers with the opportunities facing Reich's "symbolic analysts":

> *We thus have one, potentially large, disadvantaged, alienated, and powerless element in society and another which is flourishing but has less of a stake in the success of any particular country.*[26]

While I believe this rhetoric overplays the challenge, it does nonetheless resonate well with some Canadians. More to the point, relinking citizens to markets (or more appropriately, perhaps, workers to markets) is emerging as one of the important domestic and international policy concerns.

The rise of North American region states

There is a second aspect of the interaction between GIR and markets that warrants attention in the context of Canadian and NAFTA economic space,

namely the dramatic increase in north-south trade relative to east-west trade. From a position in 1980 where Canada's interprovincial exports (i.e. exports from one province to another) exceeded international exports, it is now the case that international exports are more than twice as large as interprovincial exports. Only two of Canada's 10 provinces (Nova Scotia and Prince Edward Island) export more to the rest of Canada than to the rest of the world. With the U.S. accounting for nearly 85 percent of Canada's international trade, this means that north-south trade clearly exceeds east-west trade.

In *From Heartland to North American Region State*, Colin Telmer and I rely on this and other economic indicators to make the case that the province of Ontario has effectively donned the mantle of a North American region state.[27] This terminology follows that of Ohmae: "On the global economic map, the lines that now matter are those defining what may be called 'region states.'"[28] In Ontario's case part of this relates to the dramatic increase in Ontario's trade with the Americans, which is running at nearly three times Ontario's east-west or domestic trade. Part also relates to Ontario's recent policy initiatives which can be rationalized as conscious efforts to privilege Ontario and Ontarians in the emerging NAFTA geo-economy. (In the regional science literature, this is referred to as generating "untraded interdependencies.") Since somewhat similar claims can be made for Quebec, Alberta, and soon for British Columbia as well (although BC would more aptly be described as a Pacific Rim region state), this leads to a series of profound implications for Canadian governance:

- These cross-border economies are quite different industrially — Ontario and Quebec are integrated into the Great Lakes region; Alberta's main competitor is the Texas Gulf; Saskatchewan and Manitoba are "breadbasket" provinces; BC as already noted is a Pacific Rim economy; and the four easternmost provinces are progressively integrating into the Atlantic seaboard.
- Thus a one-size-fits-all approach from Ottawa is not a viable option in light of the above. Hence, the Canadian federation will likely become even more decentralized and asymmetrical as the provinces adopt policies to preserve and promote their differing economic futures in North America.[29]
- As a result, Canada is progressively less and less a single east-west economy and more and more a series of north-south, cross-border economies.

Among the many challenges that this generates is how to maintain an east-west social and transfer union in the face of an increasingly north-south trading union.

To round out the "anatomy" of the new global order, I now turn to the relationship between globalization and "civil society."

Globalization and Civil Society

One of the ways in which nations are reacting to the forces of globalization is to place greater reliance on what has come to be referred to as "civil society," defining civil society as "an area of association and action independent of the state and the market in which citizens can organize to pursue purposes that are important to them, individually and collectively."[30] The institutions of civil society occupy the social and economic space between markets and governments (i.e., the so-called "third" sector to the private sector and the public sector). From the vantage point of citizens, those civil society institutions that occupy the socio-economic space between citizens and markets/enterprises are typically referred to as "non-profits." And those institutions that occupy the space between citizens and governments are typically referred to as comprising the "voluntary sector" or the "alternative-delivery-system" sector. Admittedly, this is far too narrow a vision of civil society since it tends to ignore the many citizen groups and NGOs in areas like the environment, human rights, health care and democratic rights that are playing an increasing role, domestically and internationally.

As Peter Drucker, among others, has noted, one of the many roles of civil society institutions is that they serve to generate new bonds of community and to create new spheres of effective citizenship.[31] Thus, this sector is emerging as one of the essential instrumentalities in responding to the impersonalized forces of globalization and the information revolution. As Brown et al. observe, while businesses are oriented to private interests and governments are oriented to public interests, civil society actors focus on the interests of social groups within the society, including groups disadvantaged by existing arrangements. In other words, civil society serves to enhance citizen participation in an era where other linkages between citizens and society are fraying, if not eroding. It provides delivery-system alternatives to both governments and the private sector. And it has the potential for creative adaption to emerging needs since it is not (in principle) encumbered by either the profit motive or government directives, but rather tends to mobilize resources through appeals to values and social purposes.

While cooperation among and between citizens, markets, governments and civil society is increasingly common (and increasingly valued) at the national level, this is not the case at the supranational or international level where some of these same NGOs (or, rather, INGOs) are locking horns with the agencies of the international order such as the WTO, the IMF and the World Bank let alone transnational enterprises. The challenge is, therefore, to create appropriate structures,

Table 1
Knowledge and Human Capital: Implications for Wealth Creation, Income Distribution and Living Standards

Human Capital and Wealth Creation:
The old foundations of success are gone. For all human history, the source of success has been the control of natural resources — land, gold, oil. Suddenly, the answer is "knowledge." The world's wealthiest man, Bill Gates, owns nothing tangible — no land, no gold, no oil, no factories, no industrial processes, no armies. For the first time in history the world's wealthiest man owns only knowledge.[1]

Human Capital and Income Distribution:
In a global economy where employers arbitrage the world looking for the lowest wages, people's pay is not based on whether they live in a rich or a poor country but upon their individual skills. The well-educated living in India make something that looks like American wages, while the uneducated living in America make something that looks like Indian wages. If unskilled first world workers don't want to be in competition with equally unskilled but lower wage third world workers, they will need much better skills. With globalization and a skill-intensive technological shift, much better skills must be delivered to the bottom two-thirds of the labour force in the developed world if their wages are not to fall.[2]

Human Capital and Living Standards:
If capital is borrowable, raw materials are buyable and technology is copyable, what are you left with if you want to run a high-wage economy? Only skills, there isn't anything else.[3]

[1] Thurow (1999).
[2] Thurow (1999, pp. 132-133).
[3] Thurow (1993, p. 5).

processes and environments that will encourage multi-sector cooperation at the international level. One difficulty in bringing civil society more fully and perhaps more formally into the institutions of global governance is that many of these INGOs have a rationale linked to a single issue, to the exclusion of caring about, let alone understanding the larger context: "As such they may be better at blocking than implementing large-scale initiatives."[32] More on INGOs later.

This completes the selected survey of the implications of the new global order for citizens, for governments, for markets and for the institutions of civil society. With this as the descriptive-cum-analytical backdrop, the remainder of the paper focuses on various ways in which one might "embed" the new global order in a more socially cohesive environment or, as the frontispiece quotation indicates, might ensure that globalization works for people and not just for profits. Toward this end, I move to articulating a strategy designed to maximize the opportunities for Canada and

Canadians arising from the new global order. This will be followed by the arguably daunting challenge of embedding globalization at the supranational level.

Canada as a State of Minds

Canada excelled within the old paradigm: the United Nations survey of the most liveable nations on earth annually tells us so. In my view, we achieve the top rankings because we have successfully married the dynamism of the U.S. economic model with the cohesion of the continental European social contract. To succeed in the new paradigm likewise requires preserving and promoting both economic competitiveness and social cohesion as our twin societal objectives.

Intriguingly, the combination of globalization and the information revolution presents us with an historically unprecedented window of opportunity in this context. With knowledge progressively at the cutting edge of competitiveness, with enhancing skills and education as the key to addressing income inequality and social cohesion, and with information empowerment as the sine qua non of meaningful citizenship, a societal commitment to a human capital future for Canadians emerges as the principal avenue by which to promote both competitiveness and cohesion. The three quotations from Lester Thurow in Table 1 capture the essence of the role of human capital in the new order — the first quote highlights the primacy of knowledge in terms of wealth creation and competitiveness; the second stresses the importance of equality of access to human capital as the key to ameliorating income inequality and advancing social cohesion; the final quote places in stark relief the critical links between human capital and standards of living.

In order to capitalize on this historic window of opportunity, *A State of Minds* offers the following "mission statement" for 21st-century Canada:

> *Design a sustainable, socially inclusive and internationally competitive infrastructure that ensures equality of opportunity for all Canadians to develop, to enhance, and to employ in Canada their skills and human capital, thereby enabling them to become full citizens in information-era Canadian and global societies.*[33]

Arguably, this mission statement provides not only the societal goal toward which any national governance structure ought to strive but, as well, the emphasis on human capital and citizen information-empowerment provides the means of ensuring that citizens will maximize their ability to participate in any governance regime. In other words, enhancing democracy and citizenship is part and parcel of this vision of governance for 21st-century Canada.

By way of selective elaboration, among the policies that would foster greater access to skills and human-capital formation are: enunciating a "human capital bill of rights" for our kids; viewing the family as the principal locus for the development of human capital and tailoring the incentives in family transfers towards this end; reworking the organization of the bureaucracy to be consistent with having human capital and information empowerment as the overarching socio-economic goals.

On the economic front, the "employ in Canada" tenet of the mission statement requires that Canada become a more attractive place to innovate and to grow new economy enterprises. An integral part of this is that we must democratize the access to information technology. Phrased differently, the east-west "ribbons of steel" so crucial to last paradigm's nation-building must give way to the "filaments of fibre" as the east-west "railway" of the new economy. Beyond this, it is imperative that marginal tax rates on mobile factors, including high-level human capital, be competitive with those south of the border. If this cannot be obtained via utilizing the budgetary surpluses to generate these tax cuts, then the obvious solution is to alter the tax mix away from income taxes and toward consumption taxes.

In terms of the relationship between the human capital focus and the larger economic context, I shall limit myself to one area — health care or medicare. We Canadians have long tended to view our health-care system as falling entirely within the "social" envelope. This is last-paradigm thinking and it will ultimately result in a system that fails Canadians. In the new global order, health is emerging as one of the leading-edge economic sectors for research, innovation, and exports and for employing high-level human capital and talent. To maintain state-of-the-art technology and services, the health sector needs a massive infusion of physical, intellectual and financial capital. It will never receive this under the current social-envelope conception of health policy, which essentially limits investment and innovation to the spending inclinations of governments. In recent years, governments have typically emphasized cost containment, subject to some national norms related to "adequate" service (which we Canadians appear willing to see decline over time). However, were we to view our overall health-care system as an essential social and economic sector in the information age, it could become a creative economic engine export platform with multitudes of spin-offs in other new-technology sectors. For example, an efficient approach to health-care delivery will surely be characterized by the rapid growth of innovative and specialized diagnostic and treatment centres that will be separate from, although possibly linked to, the hospital sector. Thus, the real challenge is not how to keep these private delivery systems out of Canada's publicly funded health-care system but, rather, how to bring them in!

The underlying issue here can be generalized in terms of the goals-instruments nexus. In a GIR era, our societal goals need not change. However, the instruments we deploy to achieve these goals will, in all likelihood, have to change. In terms of the above discussion of health care, medicare was the ideal health-care instrument for achieving Canada's health-care goals in the 1960s and 1970s. Indeed, it was so appropriate that we Canadians elevated medicare to the status of a policy goal. Not only is medicare not a policy goal, but bestowing this status on it dramatically inhibits our collective ability to design a 21st century health-care delivery instrument appropriate to the new global order. More generally, creating goals out of last generation's chosen instruments is a problem that transcends the health-care area. For example, Canada's system of flexible exchange rates is another instrument that appears to have been elevated to a societal goal. Richard Harris and I have argued that a fixed exchange-rate system (and, ultimately, a North American Monetary Union modelled after the euro) is a preferred instrument for 21st-century Canada in light of the earlier analysis of the increasing north-south trade integration and the differing economic structures of Canada's regional economies.[14] However, as long as the flexible exchange-rate system is viewed as a goal, this important discussion of the appropriate exchange-rate regime is difficult to even get off the ground.

On the positive side of the ledger, several Canadian processes and policies have been quite creative in a variety of ways that are fully consistent with the dictates of the new global order. In terms of process for example, the 1999 Social Union Framework Agreement (SUFA) represents an intergovernmental or co-determination approach to encouraging east-west cohesion (via embracing pan-Canadian principles and creative processes) in the face of the pull of increasing north-south trade. In particular, the provision for mutual recognition of skills and accreditation across provinces is a key step to ensuring that Canada becomes a thoroughgoing east-west social and human capital union. In an era where jurisdictional overlaps are ubiquitous, decentralized federal systems will surely move in the direction of intergovernmentalism or co-determination. Phrased differently, the policy interdependencies associated with GIR should lead to federalism being viewed less and less as being underpinned by a formal and static division of powers and more and more as a process of adopting joint policies and making joint decisions on joint problems.[15] Innovative process instrumentalities like SUFA (and the earlier federal-provincial Agreement on Internal Trade) are rendering Canadian governance more consistent with the dictates of GIR.

At the policy level, the federal government has indeed made important inroads in ensuring that Internet access is available in all of Canada's schools and libraries. And both levels of government have been tilting their policies toward early childhood

development, education and research, all of which are consistent with a human capital future. However appropriate these policies and instruments may be, they cannot be viewed as fully embracing the thrust of the mission statement until Canada as a state of minds pervades the policy and process "mind of state." We are not yet there.

In summary, then, embracing a human capital future for Canada and Canadians is, in my view, the first-best policy in a GIR era. Arguably, it is also the first-best policy for all nations. However, embedding GIR domestically or nationally can only go so far in the context of the existing powerful supranational forces and governance structures: we must also embed GIR globally. In other words, we need to rethink and rework these supranational institutions in the context of preserving and promoting competitiveness and cohesion. The remainder of the paper is devoted to making some modest progress in this direction.

Civilizing Global Governance

The nature of the globalization challenge

Isolating the keys — human capital and information empowerment — to ensuring that globalization and the knowledge/information revolution will favour Canada and Canadians, required as backdrop an understanding of the myriad of ways in which the new economic order was impinging on Canada's citizens, markets and governments. Likewise, finding the levers that will tilt supranational governance in the direction of "socializing" or "civilizing" globalization requires a comparable understanding of the variety of ways in which GIR impinges on the major supranational players — international capital and MNEs, international citizens' movements and NGOs, international and supranational relationships among national governments and international institutions. Given that anything resembling a comprehensive approach to this is well beyond the scope of this essay, in what follows I shall focus selectively and speculatively on a subset of those forces that featured prominently in the first part of this essay.

In this vein, probably the most appropriate entrée into the implications of GIR for global governance is to focus on what is arguably the principal difference between post-war liberalism and twenty-first century globalization, namely that this new round of international integration is pressuring nations to harmonize much of their domestic policy and domestic regulatory environment. Sylvia Ostry elaborates:

> *Impediments to effective [market] access are no longer confined to overt barriers to trade or explicit restrictions which limit foreign investment. Rather, impediments to effective access can often arise*

> *from domestic regulatory policies, legal cultures, or private sector actions which have an exclusionary effect by accident or design. The new international policy agenda in a world of "deeper integration" will focus more on domestic policies, legal, and institutional arrangements, or system differences, than on transparent border barriers. The "shallow integration" of GATT, which centred mainly on the removal of such [border] barriers, implied a preservation of national diversity ... But the agenda of deeper integration is ... more intrusive and erosive of national sovereignty as it involves an intrinsic pressure for harmonization of diverse systems.*[16]

Thus, the "Battle in Seattle" and the confrontations in Quebec City were as much about the future of national sovereignty as they were about the governance of international institutions, whether of the WTO or the FTAA variety. Either way the message is clear: the globalization agenda must now "be broadened from its almost exclusive focus on trade and financial issues to include human and sustainable development, or it will face increasing hostility from civil society and developing countries."[17] Indeed, Johnson and Mayrand probably do not go far enough here, since the prospect of "deeper integration" associated with GIR will also generate hostility from developed countries intent on preserving meaningful control over their domestic policies.

Given the inherent tension between international integration on the one hand and national autonomy on the other, devising international structures and processes that promote both integration and national diversity will be a tall order. Fortunately, however, I think that one can find "common cause" among the major supranational players for rethinking and reworking the international governance status quo. To this I now turn.

Finding common cause for reforming global institutions

National governments

In the earlier section ("The Anatomy of a Paradigm Shift"), attention was directed to the transfer of powers upward, downward and outward from nation-state governments. In terms of the international order, this led Held et al. to rethink governance in ways that would integrate the existing systems of territorially rooted democratic governance with the emerging transnational (and often non-territorial) organization of social, economic and political life. But the related complication is that this existing system of territorially rooted democratic governance is itself in full evolution: GIR is effectively "unbundling" the traditional

relationship among sovereignty, territoriality and state power.[38] As early as 1989, Castells argued that, in relation to global governance, the fundamental dynamic at play is that the information revolution is converting key aspects of economic, social and even cultural geography from a "space of places" to a "space of flows." Given that *The Rise of the Network Society* is the first volume of Castells' classic trilogy on the information age, it should come as no surprise that he maintains that in this space of flows "networks are the fundamental stuff of which new organizations are and will be made."[39] Within this conceptual framework, nation-states can be viewed in some of their several roles as key "non-territorial" nodes in these networks of power, which range both horizontally (among and between nation-states) and vertically (up and down the hierarchy of cities, regions, nations, supranational structures). Paquet takes this networking conception of governance further by referring to governance as being distributed across society, economy and polity. Almost by definition, distributed governance is a world without a permanent pecking order. In Paquet's terms, relationships can shift from being hierarchical to being heterarchical. In the limit, heterarchical governance can be very much like the game of paper, rock and scissors, where paper covers rock, rock crushes scissors and scissors cut paper: "Any sector may at times have a dominion over the others: indeed the three sectors co-evolve."[40]

While these conceptions of the evolving nature of national governance within a global institutional structure provide useful insights across an increasing range of issues, Vincent Cable appropriately reminds us that however far and fast global economic integration proceeds, "politics remains essentially national in character" and "political authority remains vested in national governments and national politicians."[41] Nonetheless, this de jure reality may well fall into the category of pyrrhic power since, in the face of GIR, national politics and national political authorities can no longer guarantee national sovereignty and autonomy over some key policy areas. This points to one of the key rationales why national governments may want and presumably will want to be part of the process of embedding globalization — global forces are progressively impinging on the ability of nation-states to control key aspects of policy within their own borders. Intriguingly, one obvious and perhaps inevitable solution is to resort to supranational fora for oversight and regulation precisely in order to regain and/or reassert domestic control over these policy areas. Castells applies this analytical framework to the evolution of the EU when he notes that one of the reasons why the process of European integration has succeeded is that "the European Union does not supplant the existing nation-states but, on the contrary, is a fundamental instrument for their survival on the condition of conceding shares of sovereignty in exchange for a greater say in world, and domestic, affairs in the age of glob-

alization."[42] In other words, the EU "is essentially organized as a network that involves the pooling and sharing of sovereignty rather than the transfer of sovereignty to a higher level."[43] Admittedly, the EU arrangement aims for much more in the way of formal political interaction, if not integration, than is the case with respect to, say, the international trading system or the FTAA. Nonetheless, the rationale for nation-states participating in supranational agreements is roughly similar — to allow nations a role in formulating multilateral principles and procedures that will, hopefully, provide a needed degree of order and certainty to the international system and at the same time will also generate some degree of freedom to manoeuvre on the domestic front.

At this juncture, readers might well say that these national governments have been hoisted on their own petard. After all, it was they who signed on to the various supranational trade or integration agreements which are now constraining their autonomy. A more sympathetic approach to this would posit that enhancing freer trade and market access through various supranational agreements is essential to allow citizens and enterprises to reap the productivity, economies of scale and consumer benefits associated with globalization. To then seek to build more policy room to manoeuvre via creative supranational instruments or institutions while still allowing this enhanced access is, arguably, one of the avenues by which to "embed" this new liberalism. More on this later.

International citizens' movements

In terms of citizens' movements and NGOs, Seattle was a true watershed in the evolution of the international economic order. Consistent with the earlier assertion that citizens, individually and collectively, will emerge as the principal beneficiaries of the information revolution, Seattle's immediate message (and that of the MAI before it) was that information-empowered citizens and NGOs, networking internationally, could effectively derail such international trade initiatives.[44] For some citizens and NGOs, namely the "anti-globalists" who oppose further integration on principle, this is probably the relevant longer-term message as well. But for the majority of citizen groups/NGOs this cannot be the longer-term message. This is so because the default position that will emerge from a derailing of the multilateral global trading system is one where trading relationships will become privatized or bilateralized, i.e., driven by powerful national governments and MNEs. This is surely not in the interests of the citizen/NGO coalition. One need not go the full way to endorsing my Queen's colleague Robert Wolfe's view of the WTO — that it is "a leading anti-poverty organization playing a central role in ensuring the full integration of the world's peoples into the global economy on a fair and equitable basis"[45] — to recognize that co-determined multilateralism within a rules-based

framework is much preferable to free-wheeling bilateralism (even arbitrariness) and, likely, US standard-setting and dominance.

Thus, I remain optimistic that the majority of NGOs will ultimately prove to be a constructive force in reworking the international trading order. Now that they realize they can effectively block new trade initiatives, they will surely want to put their power and influence toward more productive goals, which means that they should begin to work more closely and more constructively with national governments and international institutions in ways that will begin to bridge competitiveness and cohesion, or openness and community. As Ostry points out, the websites of some of these NGOs already offer a range of alternative approaches and ideas that the institutional architects of the new international order would be well-advised to give serious consideration.[46] Moreover, pressures will develop for NGOs themselves to become more open, accountable, and more democratic, which should enhance their role and status as well as make it easier for them to focus their activities beyond their typical single-issue mandates.

To this point in the analysis the impression left with readers is that MNEs are the common adversary of both nation-states and civil society and that the relationship between nation-states and civil society is one of harmony. This is not the case. As prelude to highlighting the nature of government-NGO tension, it is appropriate to note the obvious North-South rift within the community of trading nations. As Jacquet et al. note, "most developing countries simply do not have the resources to be present in Geneva, to take part in the discussions, to conduct the necessary studies crucial to a definition of their own policies with respect to trade and openness." Beyond this, these authors point out that developing nations are finding a) that implementing the WTO commitments is costly, with the benefits neither imminent nor clear, b) that access to developed countries' markets remains a real concern, and c) that the WTO emphasizes trade, per se, and not "development" (an issue addressed later). In any event, it is not surprising that the feeling is growing that the WTO is a rich countries' club, with developing countries not able to adequately air their objectives and concerns. Thus, bridging this North-South (or developed-developing) divide is clearly a priority.

It should not come as a surprise, then, that there is also considerable tension between national governments and NGOs:

> *For many developing countries, NGOs have no legitimacy to enter the debate, and are in fact agents of rich countries, representing special groups' interests that conflict head-on with their own interests, such as labour rights or environment protection and that eventually disguise a protectionist motive.*[47]

The "legitimacy" issue in the above quote relates to the fact that WTO is, at base, an intergovernmental organization whereas the NGOs are, by definition, non-governmental organizations.

However, the relationship between developing countries and NGOs is anything but straightforward. As Ostry points out, many of the Southern countries are now far more informed and organized than heretofore was the case. And a major part of the reason for this is that

> *since the mid-90s the Internet has accelerated the linkages of South NGOs with a number of Northern partners in both Europe and the US. These NGOs together act, in effect, as a "virtual secretariat [for Southern countries]."*[48]

This is serving to alter the underlying dynamics of WTO governance since the existence of this virtual secretariat is offsetting the earlier noted lack of resources on the part of many developing countries.

Despite these complex interrelationships, the operational assumption for present purposes is that international citizen movements, with some obvious and high-profile exceptions, can be counted among those who favour a reworking of the institutions and processes of global governance.

Supranational institutions

In their essay, *Trade Rules and Global Governance* Jacquet et al. note that specialization is a founding principle of the existing international governance institutions, (e.g., the WTO, IMF, World Bank and ILO), each of which has authority over a subset of issues by virtue of specific international treaties and has, to this end, developed specific legal instruments. However, unlike the case in nation-states there is no overarching political authority to provide arbitration in case of conflict between these specialized institutions. They further observe:

> *This arrangement thus strikingly contrasts with what exists within countries where 1) specialized ministerial departments do exist, but they are controlled by or accountable to an overall political authority (which can be the head of government or the parliament) and 2) specialized laws do exist, but take place within the framework of a broader legal system and draw legitimacy from being voted by a single parliamentary institution.*[49]

Because a democratically based world government is not on the horizon, this specialization principle for international institutions will continue to hold

sway. This being the case, Jacquet et al. suggest what an "ideal" blueprint for the international institutional order might look like:

> *Ideally, we would think of an array of specialized institutions, each governing specific aspects of interdependence – call them WxOs where x stands for trade, finance, development, nuclear safety, food safety, labour, health, environment, tradeable permits, etc. According to the specialization principle, each institution should have a clear and focused mandate, each should be in charge of establishing and enforcing commonly agreed upon rules and/or codes of conduct for the sector for which it has responsibility, and, where relevant, specialized Dispute Settlement Bodies would provide arbitration in bilateral disputes and engage in effective surveillance of the implementation of members' commitments ... Within this framework, each institution should respect the principles and procedures of the other institutions and resist the temptation to blur the frontiers. Consequently, social or environmental clauses would have no future in trade law. Equally, other bodies should resist the temptation to call for trade restrictions as a natural means of action ... There is already a basis for such an approach since, for example, the WTO recognizes the legitimacy of recommendations by the codex alimentarius and bases its own decisions on these recommendations ... The principle should be that whenever the settlement of a trade-dispute involves non-trade issues, the WTO DSB should have to request informed "opinion" from the relevant specialized institutions. It would then be bound to follow that opinion, or to explicitly motivate its decision not to follow it. This would preserve the privilege of each institution to make legally based decisions in its own domain.*[50]

Were global governance organized around these WxOs, there would likely have been no "Battle in Seattle" because the environmental or human rights NGOs would be far better off lobbying the World Environmental Organization or the World Rights Organization. However, global governance is not organized along these lines, so that the very small (500-person) WTO becomes the only meaningful game in sight. What heightens the perception (and reality) of the importance of the WTO is that its DSB (Dispute Settlement Body) carries substantial weight, including the power to authorize retaliatory measures. Indeed, Ostry refers to the WTO's DSB as "the strongest dispute resolution mechanism in the history of international law."[51] Part of the sweep and power of the WTO is

that when trade disputes involve aspects of the environment or of human rights these are nonetheless adjudicated by the WTO dispute-resolution process. In short, the demonstrators and NGOs alike tend to view (correctly) the WTO as the premier organization of all things international.

My Queen's colleague Robert Wolfe focuses on, and then answers, the underlying issue that is at stake here:

> *Do we force the WTO to become the central institution for the global economy or do we insist that it concentrate on its core responsibilities while ensuring that it work closely with other economic and social international organizations? ... The answer is simple: the WTO should remain focussed. The WTO secretariat is too small, too specialized, and too busy to make all world micro-economic policy. If it did, trade ministers would have to be joined by ministers for the environment, social affairs, industry and culture, as well as ministers of finance, at a minimum. A system that came close to paralysis in Seattle would, in these circumstances, simply collapse.*[52]

While I agree with Wolfe that the WTO cannot become the overarching international institution, it is nonetheless the case that there is plenty of scope for sister international institutions, such as the United Nations itself, to provide some countervail to the seeming, if not real, hegemony that the WTO currently wields. Alternative approaches will be briefly detailed in the next section, as will a set of proposals to render the WTO itself more "development friendly."

The bottom line here is that the WTO and other international institutions can find common cause with citizens/NGOs and national governments in having an interest in rethinking and reworking global governance.

Turning, finally, to the preferences of market agents, I accept as an article of faith that global capital is keenly interested in enhancing international market access. I also assume that there will be precious little in the way of successful breakthroughs in this direction unless some progress is also made in the direction of integrating civil society into any future proposals for enhancing trade and/or market access. I interpret this to imply that MNEs will also have an interest in "embedding GIR."

Hence, it would appear that the pressures and incentives are such that the various supranational players have incentives to coordinate, if not cooperate, in forging a fresh approach to international governance. In this sense, the domestic window of opportunity that led to the articulation of a mission statement for 21st-century Canada may have a parallel internationally. In the spirit of capital-

izing on this window of opportunity, I now turn to the elaboration of a range of creative proposals and initiatives that might play a role in informing the evolution of supranational institutions.

Renewing global governance

In attempting to design aspects of international governance in ways that would put a more human face on the forces of globalization, I shall deal in turn with the WTO, with the role of other international institutions and in particular the United Nations, with the prospect that MNEs might embrace a version of corporate "social responsibility" and, finally, with the potential for the G-20 to blossom into an important integrative international institution. The role of citizens/NGOs enters the analysis throughout, rather than receiving special highlight. The analysis begins with some further reflections on the relationship between human capital and the North-South divide.

Human capital and the North-South divide

As a substantive prelude to the discussion-cum-analysis of socializing globalization, the rise in the economic star of human capital in tandem with the information revolution holds the potential for dramatically altering the economics and politics of the North-South divide. With knowledge (or human capital) progressively at the cutting edge of innovation and competitiveness, my guess is that on the human capital front the U.S. has nothing to fear from the European Union. For example, US human capital can easily match EU human capital, at least at the middle and upper end. However, matters are different when it comes to, say, Indian human capital. Running at several times as large as that in the U.S., India's high-level human capital not only holds the promise for a distinctively brighter economic future for the country but, as well, clearly has the scale to become a leader in the knowledge-driven economy. The same is obviously true for China, and to a degree, for any nation that gives human capital pride of policy place.[33] The larger issue here is that the U.S. may well need to take notice of this massive human capital/knowledge potential of India, China and other developing countries. The sheer wealth of the U.S., in tandem with its immigration culture, will no doubt stave off the day of economic reckoning. However, the essential point is that the knowledge/information revolution is arguably the most profound development in decades in terms of the evolution of the economic/political relations among the traditionally rich and poor nations.

This human-capital spillover into global political and economic relations is not carried forward in the remainder of the analysis of renewing international governance. Nonetheless, it will increasingly inform the evolution of these supranational institutions.

Renewing the WTO

That the WTO should suddenly become not only the focus of global attention but also challenged as undemocratic and suffering from a lack of transparency and accountability no doubt caught the organization by surprise. As Keohane and Nye note in this context:

> *... on a first approximation, it [the WTO] conforms with democratic principles very well. The secretariat is small and weak. The WTO is highly responsive to the (mostly) elected governments of its member states. Furthermore it defers to them. Indeed, its dispute settlement procedures provide space for national democratic processes while still protecting the system of world trade. If pressures within a democracy cause a country to derogate from its agreements, WTO panel can authorize compensations for others rather than see a tit-for-tat downward spiral of retaliation.*[54]

What then led the WTO to become the focal point for massive protests? Setting aside the fact that Seattle was to a degree the current generation's Woodstock, the catalyst in all of this was the Uruguay Round on the one hand and the information revolution on the other. Ostry notes that in terms of the former, "the move from border barriers in a GATT system designed to protect domestic policy space, to a WTO system which included domestic regulatory policies and domestic institutions touched the exposed raw nerve of national sovereignty."[55] Moreover, national sovereignty was viewed as being further compromised by both the potency and the sweep of the WTO's dispute settlement body, since WTO sanctions could be used to enforce labour and environmental standards. In the WTO jargon, these linkages are referred to as the "trade and..." issues. Thus, the WTO is a very much different institution than its predecessor, which is fondly remembered by some as the "General Agreement on Talking and Talking." Enough said, as it were.

If this served to provide the "demand" for protest, the Internet-driven explosion in NGOs certainly provided the "supply." In tandem this was a recipe guaranteed to cause trouble for the WTO. How can or should the WTO approach the renewal challenge?

Altering the WTO's modus operandi

In terms of the future of the WTO, the above analysis (informed by the various writings of Sylvia Ostry) suggests that renewal can take two quite different and polar forms — either increase the flexibility of the WTO operational procedures to make them more accommodating of national democratic practices or

begin to elevate the WTO in the direction of becoming the core international organization by making it much more open, accountable and transparent and, therefore, democratic. I shall deal briefly with each of these general approaches, turning first to rethinking aspects of the WTO's modus operandi.

While facilitating market access and generating the gains from trade necessarily requires a reasonable degree of policy convergence across countries that have very different regulatory regimes, Wolfe asserts that the role of the WTO should be one of "finding ways to reconcile differences in the interests of liberalization and stability, rather than removing differences."[56] This process of creatively reconciling system differences across member states, whether by mutual recognition or national treatment or some other instrumentality, is aptly labelled regulatory diplomacy by Wolfe.

Dani Rodrik takes this "preserving diversity" or "reconciling differences" aspect of WTO operations much further by proposing that "development" be enshrined at the top of the WTO agenda. The introductory paragraph of his paper is worth citing in full:

> *What objectives does (or should) the WTO serve? The first substantive paragraph of the Agreement Establishing the World Trade Organization lists the following aspirations:*
>
> > *Raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development.*
>
> *A subsequent paragraph cites "mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international trade relations" as a means of "contributing to these objectives." It is clear from this preamble that the WTO's framers placed priority on raising standards of living and on sustainable development. Expanding trade was viewed as a means towards that end, rather than an end in itself. Promoting economic development has acquired an even higher standing in the official rhetoric of the WTO recently, partly in response to the critics of the WTO.*[57]

Conceptually, this would mean that in pursuing a rules-based trading system the WTO would allow for diversity in national institutions and standards, i.e., the WTO should "accept the right of countries to protect their institutional arrangements." This implies, along the earlier lines of regulatory diplomacy, "that the WTO should be conceived of not as an institution devoted to the harmonization and reduction of national institutional differences, but as an institution that manages the interface between different national systems."[58]

Operationally, Rodrik proposes among other approaches that countries be able to selectively de-link from or opt out of international obligations when these obligations come into conflict with well-established and democratically instituted national norms, practices and institutions. In his own words:

> *Consider as an example the Agreement on Safeguards in the World Trade Organization. This agreement allows a member country to impose temporary trade restrictions following an increase in imports but under a very stringent set of conditions. My argument is that there is generic case for such "escape clause" action and that it should be allowed under a much broader range of circumstances and in areas going beyond trade.*[59]

Included among the "a much broader range of circumstances" would be those relating to labour standards, the environment and human rights.

By re-emphasizing the "development" aspect of the WTO, Rodrik believes that some progress can be made in reconciling two long-standing combatants — Northern NGOs and developing country governments:

> *... once one views the trade regime – and the governance challenges it poses – from a developmental perspective, it becomes clear that the developing country governments and many of the Northern NGOs share the same goals: policy autonomy to pursue one's own values and priorities, poverty alleviation, and human development in an environmentally sustainable manner. The tensions over issues such as labour standards become manageable if the debate is couched in terms of developmental processes – broadly defined – instead of the requirements of market access.*[60]

As part of his analysis, Rodrik notes, as we have done above, that the WTO trade regime is a lot more restrictive than the former GATT regime. Indeed, under the GATT system, the countries that emerged as economic successes, such

as East Asian "tigers" like South Korea and Taiwan, were able to combine a reliance on trade with a set of unorthodox policies such as domestic-content requirements, import-export linkages, export subsidies and the like "that are either precluded by today's rules or highly frowned upon."[61] This is yet another rationale for an escape-clause mechanism.

The earlier recommendation for a series of WxOs represents a bridge between approaches that alter the WTO's modus operandi and those designed to embrace a more open and democratic approach to the trade regime.[62] Even if the emergence of a World Environment Organization as a counter to the WTO is unlikely to materialize, some version of the related recommendation that the WTO's dispute-resolution mechanism pay more than mere lip service to environmental issues, for example, appears appropriate. This need for "inter-regime coherence" is a key message of a recent paper by Johnson and Mayrand:

> *As the number of potential conflicts between the trade/investment and the environmental regimes is rising, the need to clearly articulate their relationship is becoming more urgent. So far this relationship has been dealt with on a case by case basis. For example, NAFTA establishes the paramountcy of measures taken pursuant to a list of MEAs over its trade provisions. The biosafety protocol, which considers a series of trade issues in the biotechnology sector, has an equal "and mutually supportive" relationship with trade agreements. The WTO founding texts are silent on the issue. In this context, the risk of a collision between the two regimes is rising.*[63]

In effect, Johnson and Mayrand go on to argue that reconciling the trade and non-trade regimes at the international level will involve creating a series of checks and balances so that no one organization can act without the consent of the other parties. They agree with von Moltke that this will require a dispute-resolution process that is accessible, transparent, balanced and legitimate.[64]

It is not difficult to predict the reaction of economists to this proposal — they would fear that bringing in environmental and other non-trade issues into the WTO would spell the end of further trade rounds. While they may well be right, the reality is that progress on the trade front is already stymied, in part because of the earlier-noted change in the nature of the regime in the transition from GATT to the WTO. It seems to me that if this is not economists' preferred approach to renewing the trade regime, then they ought to consider some of the earlier operational changes and/or embrace a more participatory future for the WTO, to which I now turn.

Civil society and the WTO

While the WTO has responded by making its activities more transparent, replete with a meaningful website, it has thus far fallen short of offering a systematic, well-defined framework for NGO participation: "the challenge is thus to allow, both at the domestic and the international level, significant substantive input upstream and possibly during the negotiations while preserving a context that is comfortable for interstate negotiation."[65] Approaches in this direction could include:

- Opening up the WTO process. Selected NGOs could be granted "observer status" at WTO Council meetings or be given the "right to file amicus briefs in dispute settlement cases."[66]
- Creating a role for national parliamentarians at the international level. For example, the PCA (Parliamentary Conference of the Americas) has been established as a bridge between civil society and the officials in the context of negotiating the Free Trade Area of the Americas. And others have proposed the creation of an official parliamentary assembly at the WTO that would again act as a bridge between civil society and the intergovernmental process.
- Along indirect representation lines suggested by Kymlicka, strengthen transparency, accountability and access at the national level both for its own sake and for developing national positions for the WTO process.[67]

To be sure, there has been progress in terms of some of these alternatives. For example, Canada already works closely with selected NGOs in preparing its WTO position, and presumably so do other countries. The commitment to provide electronic copies of the work-in-progress version of the FTAA was a significant, although belated, advance in terms of transparency. And at the international institutional level, the World Bank has been particularly successful in working with NGOs, so much so that *The Economist* observed that "from environmental policy to debt relief, NGOs are at the centre of World Bank policy" although it goes on to add that as a result the Bank is now beholden to a new set of special interests.[68]

By way of summary, it is almost surely the case that there is no single best way to renew our international governance institutions. But there are a wide variety of alternative approaches that hold promise. Arguably, the preferred way to proceed is to begin to move incrementally on several or all of these fronts. While this may well be a daunting challenge, the reality that there is no sustainable status quo to fall back on provides a powerful incentive in the direction of creative

reform. Indeed, in the run-up to the November 9 to 13, 2001 WTO meeting in Doha, Qatar, there appears to have been a move in the direction of ensuring that development and poverty alleviation will become a part of the next trade round.

MNE social responsibility and the UN's Global Compact

As early as 1976 the OECD governments adopted a set of Guidelines for Multinational Enterprises. Reviewed and updated periodically, these Guidelines are addressed to enterprises operating internationally, providing voluntary principles of and standards for responsible business conduct in areas such as environmental stewardship, labour relations and human rights. Many countries, including Canada, have taken an active role in furthering these voluntary codes in relation to their own approaches toward corporate social responsibility.

In 1999, this approach to MNE corporate social responsibility took a huge leap forward when UN Secretary-General Kofi Annan challenged business leaders at the World Economic Forum in Davos to buy into the UN's Global Compact. The Global Compact asks MNEs to act on nine principles, two drawn from UN Declaration of Human Rights, four from the ILO's Fundamental Principles of Rights at Work and the remaining three from the Rio Principles on Environment and Development (see Table 2 for the full list).

In his Gibson Lecture at Queen's University's School of Policy Studies, John Ruggie elaborates on the Global Compact as follows:

> *The Global Compact asks companies to act on these nine principles in their own corporate domains, moving towards "good practices" as understood by the broader international community, rather than relying on their often superior bargaining position vis-à-vis national authorities, especially in small and poor states, to get away with less. Such "good practices," we hope and expect, will help drive out "bad practices."*

Specifically, companies are asked to undertake three commitments:

> *1. To advocate the Compact and its 9 principles in mission statements, annual reports and similar public venues, on the premise that their doing so will raise the level of attention paid to, and the responsibility for, these concerns within firms;*
>
> *2. To post on the Global Compact website at least once a year the concrete steps they are taking to act on the 9 principles, discussing both positive and negative lessons learned.*

Table 2
Knowledge and Human Capital: Implications for Wealth Creation, Income Distribution and Living Standards

The Global Compact asks firms to embrace, support and enact a set of core principles within their sphere of influence in the areas of labour standards, human rights and environmental practices.

Human Rights
Business should support and respect the protection of internationally proclaimed human rights; and

Ensure that they are not complicit in human rights abuses.

Labour
Business should uphold the freedom of association and the effective recognition of the right to collective bargaining; as well as

The elimination of all forms of forced and compulsory labour;

The effective abolition of child labour; and

Eliminate discrimination in respect of employment and occupation.

Environment
Business should support a precautionary approach to environmental challenges;

Undertake initiatives to promote greater environmental responsibility; and

Encourage the development and diffusion of environmentally friendly technologies.

Source: www.unglobalcompact.org

This will trigger a structured dialogue among the various participants, leading to a broader, shared understanding of what constitutes good practices;

3. To join with the United Nations in partnership projects of benefit to developing countries – either policy dialogues (for example, on the appropriate role of corporations in zones of conflict) or operational activities (such as Ericsson's First on the Ground initiative, which provides emergency telecommunications equipment to countries hit by natural disasters).

Companies participate in the Compact because they realize that, as markets have gone global, so, too, must the concept of corporate citizenship and the practice of corporate social responsibility. Doing that reflects positively on a company's global brand – and it helps

> *to build the underpinnings without which the global market remains vulnerable to backlash and protectionism.*
>
> *Some fifty major companies participated in the Global Compact kick-off event this past July [1999]; the initiative will easily meet its target of 1,000 companies within three years. Already it is being replicated at regional levels, with Scandinavia in the lead, and in developing countries, including Brazil, where some 200 companies have committed themselves to promoting the Compact, as well as in India, where a similar national effort has been launched.*
>
> *In sum, the Global Compact may be viewed as a prototype of but one form of institutional arrangement that is required in order to close the proliferating governance gaps generated by globalization.*[69]

It is instructive to add that, on the process front, the Global Compact itself is an exemplary collaborative effort. Beyond the obvious involvement of the United Nations and the MNEs, the collaboration with respect to the Global Compact extends to international labour organizations as well as NGOs related to the Global Compact.

Several further comments are in order. First, while this initiative does not go as far as creating the WxO system proposed by Jacquet et al., it nonetheless should serve to remove some pressure from the WTO.[70] The second point is that the democratization of information on the one hand and the board of directors liability provisions on the other provide both the carrot and the stick for a rather dramatic move in corporate governance toward enhanced social responsibility. A single commission, omission or oversight in the environmental, rights or social responsibility areas can, via the Internet, create immediate and enormous problems in corporate boardrooms let alone in capital markets. The message here is that while globalization has unleashed the power of global MNEs, it has also dramatically heightened the financial and political implications of corporate irresponsibility. The third point follows directly. It is important to ensure that the nine Global Compact principles become a floor, not a ceiling. In this regard, it is appropriate to emphasize that many MNEs already have in place exemplary "charters" relating to corporate social responsibility. For example, even in the supposedly "delinquent" resource sector there are firms that can boast of corporate values and operating principles that often go well beyond the "good practices" of their host countries, e.g. some MNEs have in place corporate values and operational principles designed to ensure that indigenous peoples share in the benefits of any corporate activities on their lands.

At this juncture, it is appropriate to note that interests/agencies in the Canadian private sector have recently created the Canadian Democracy and Corporate Accountability Commission, chaired by former (federal) NDP leader Ed Broadbent. The goal of this Commission is "to identify ways corporate decision-making is shaping Canada and to explore measures that might give the public a greater role in that process."[71] Basically, the issue that the Commission is grappling with is how far can Canada go in terms of forcing (legislating) corporate responsibility on our enterprises. In detail, the Commission is to address the following six questions:[72]

- Should companies be forced to disclose information about their compliance with human rights codes, environmental codes, workers' rights, human rights, etc.? Should this require independent social audits?
- Should legislation be introduced to alter the responsibilities of corporate directors to encompass a broad range of non-shareholder interests?
- Should there be mandatory committees of corporate boards to ensure accountability to all stakeholders?
- Should governments withhold government contracts for corporations that violate stakeholders rights at home or abroad?
- Should corporate and union donations to political parties be banned?
- Can Canada do all this unilaterally, or should changes occur multilaterally to ensure Canadian competitiveness?

The perception one gathers (or at least the perception that I gather) is that if the commissioners could get some assurance about the last of the six questions, they would answer the first five in the affirmative.

While one can have considerable sympathy for some of the goals of this exercise, the means are decidedly questionable, if not inappropriate. It is hard to imagine that Canada would legislate Canadian companies and MNEs and their boards of directors to formally incorporate social, environmental and stakeholder interests into existing corporate governance norms and procedures since it is correspondingly hard to imagine that Canada could extend these requirements to foreign multinationals operating in Canada, let alone to imports from non-resident multinationals. Thus, the answer to question six is that Canada cannot legislate these sweeping changes to corporate governance unilaterally.

What is also peculiar about the mandate of this Canadian Democracy and Corporate Accountability Commission is that a good deal of it appears to have nothing to do with corporate governance or even corporate responsibility. For example, one can be in favour of banning corporate and union political donations (question five) quite independently of one's stance toward corporate governance.

(Note, however, that of and by itself this is unlikely to decrease the effectiveness of business lobbies.) Relatedly, Canada's governments are free (within obvious limits, some related to NAFTA) to dictate the terms by which they will deal contractually with the business sector (question four). They do this now. While one could imagine that, depending on the contract at issue, this might require companies to report on their human rights policies or internal environmental codes, once again it is not clear that this has anything inherently to do with corporate governance, per se.

And none of the above concerns address the monumental regulatory task that would flow from embarking on such legislation — a) mandating a broad range of national and international stakeholder, environmental and social rights, b) conducting and assessing the resulting "social audits" and c) developing remedial procedures for those that fall below the line, as it were.

There must be a better way. And I believe that there is, part of which is the supranational approach to corporate social responsibility launched via the United Nations' Global Compact. But this can be, and in some form surely will be, carried further, as I now detail.

NGOs and globally rating MNEs

The MNEs that choose to participate in the Global Compact will surely want to convey this information to their customers. While the MNEs can presumably do this on their own, the UN itself will not allow its imprimatur to be utilized for commercial purposes. In *A State of Minds* I suggest that there is an opening here for the Electronic Citizen-Democracy Herd to begin rating MNEs on a variety of societal values, e.g., the nine Global Compact principles and others such as respect for the host country's values. In effect, this would be a social performance assessment or a global *Consumers' Report* on MNEs, as it were. The analogy here is with financial assessments. Corporations currently pay bond-rating agencies to assess their credit rating. Were this social performance assessment to take hold, MNEs would similarly likely be willing to pay for the "privilege" of having their company assessed, since maximizing MNE profits would presumably dictate this. As Vincent Cable notes NGOs are already in the process of rating governments:

> *Bodies such as Amnesty International have a great deal of influence in setting standards of behaviour for governments and achieving greater political transparency. Their role is analogous to the role of Moody's and Standard and Poor in global bond markets; they are, in effect, political rating agencies. Their influence can be particularly significant in highlighting the deficiencies of governments without any domestic political legitimacy.*[73]

Can rating corporate social responsibility rating be far behind?

One could counter this by noting that MNEs are ultimately responsible to their shareholders and, therefore, not inclined to voluntarily submit themselves to various performance assessments. But the reality is that if the Electronic Citizen-Democracy Herd develops credible rating systems (or, what is effectively the same thing, if consumers begin to patronize products and establishments on the basis of these ratings) then it will be in the shareholders' interests to become part of the rating system.

Indeed, it is not far-fetched to imagine scenarios where MNEs would begin to cooperate with the relevant NGOs and selected national governments in order to develop these rating systems. Failure to do so could well mean that NGOs would begin on their own to rate MNEs — whether the MNEs agreed to their framework or not.

Two further caveats are in order. The first is that, in various degrees, these performance ratings already exist. Frequently, however, they are applied to products, not to the corporation or MNE itself. The second is that there will be incentives for both large and small corporations to volunteer for assessment. Giant corporations with valuable global brand names and logos run the risk of suffering untold financial harm from a single e-mail message documenting a case of environmental degradation or inappropriate labour practices anywhere in their far-flung enterprise. Therefore, shareholders and directors would already have an incentive for these MNEs to adopt a series of internal governance directives/values along the lines of corporate social responsibility. One might argue that MNEs that have developed codes for social responsibility have no need to be assessed since they presumably already adhere to the provisions of any assessment. While this would be the case in terms of guaranteeing against the likelihood of ever being on the receiving end of the earlier-noted e-mail message, these MNEs would presumably still want the performance assessment to enhance its prospects with consumers, particularly if its internal codes would likely deliver it an AAA rating rather than a BAA (to utilize the scheme for rating corporate bonds). Arguably, however, the case for submitting to assessments is even stronger for smaller and emerging MNEs, in much the same way that deposit insurance for banks tends to benefit the new and smaller banks since it allows them to compete on the same level playing field in terms of deposit safety.

In summary, MNE rating by the information-empowered Electronic Citizen-Democracy Herd is an idea whose time may well be nigh. Indeed, the puzzle is why it is not already alive and well and operating globally?

The G-20

In addition to the above initiatives, there are a host of other developments that hold promise. For example, both the IMF and the World Bank are undergoing rethinking from within and without, and, as noted, the Bank has already committed itself to working more closely with civil society. However, to my mind the most significant recent development has been the creation of the G-20 in the wake of the Asian financial crisis. The formal mandate of the G-20 is to enhance international financial and economic stability by promoting and, to a degree, monitoring and enforcing transparency and accountability principles for emerging economies. However, under the leadership of Canada's Finance Minister, Paul Martin, the G-20 appears willing to extend its mandate to become a significant player in the "socializing globalization" game, as witnessed by its role in debt forgiveness for the Third World.

What heightens the potential for the G-20 is its composition — the G7 nations, the European Union as a single member, the World Bank and the IMF (together as a single member), plus eleven other nations: Argentina, Australia, Brazil, China, India, Mexico, Russia, Saudi Arabia, South Africa, South Korea and Turkey. While one can question the absence from this list of a Scandinavian country, or an African country other than South Africa, or Indonesia, the fact remains that the G-20 is nonetheless very representative of the North-South divide, both geographically and political-economy wise. As such, it is a natural institution for reconciling a variety of global civil society concerns, especially since it embraces both the Fund and the Bank. I think that one can be fairly certain that the G-20 will begin to emerge as the principal forum where issues relating to both international economic integration and national social cohesion can be broached.

Conclusion

The role of this paper has been to reflect upon the variety of ways that international economic integration can proceed without leading to domestic social disintegration. Alternatively, in the words of the frontispiece, the goal is to preserve the advantages of global markets and competition while at the same time providing enough space for human, community and environmental resources to ensure that globalization works for people, not just for profits.

The analysis proceeded at both the domestic (national) level and the international or supranational level. In terms of the former, the thrust of the foregoing policy diagnosis is that globalization and the knowledge/information revolu-

tion are privileging citizens in their human-capital and information-empowerment dimensions, which in turn fosters their role as economic agents and political actors respectively. This leads rather naturally to the proposition that the foremost way to achieve economic competitiveness and social cohesion in a GIR era is to provide equality of opportunity for all Canadians to develop their human capital and information competency. In short, Canada must become a "state of minds" in the 21st century. We have only ourselves to blame if we fail to follow through on this objective, since GIR actually acts as a catalyst, not a constraint, in terms of this societal and citizen goal.

Addressing the challenges relating to "embedding globalization" internationally (or to creating an international governance regime that provides a framework for ensuring that a range of key social, environmental and other civil-society issues can also find "space" within an integrating global economy) is at the same time more complex and less obvious. Nonetheless, the foregoing analysis embraced a very optimistic, albeit speculative, tone. After maintaining that, post-Seattle, there exists a unique window of opportunity for collaboration among the players (national governments, citizens/NGOs, supranational institutions and MNEs) in terms of rethinking and reworking global governance, the analysis focussed on a series of promising developments in the direction of both democratizing global governance and providing countervail to capital hegemony. These include the emergence of human capital as the new cutting edge of competitiveness, which in turn will have dramatic implications for the evolution of the North-South divide. Included also is the Internet-driven emergence of networks of civil society globally (INGOs and more generally what I refer to as the Electronic Citizen-Democracy Herd), as countervail to global capital. The clear incentive for these INGOs, now that they know that they can derail new trade initiatives, is to take the more constructive route of helping design them in their own interest. On the institutional side, the analysis presented a series of promising approaches to altering the modus operandi of the WTO, as well as proposals designed to democratize supranational institutions. Relatedly, I saluted the efforts of the UN in initiating the Global Compact, a set of nine principles that MNEs are asked to incorporate as part of their corporate social responsibility. The analysis then argued that the time may be ripe for NGOs to begin rating MNEs on a series of social, environmental and human rights criteria. Rounding out the policy discussion was a focus on the prospects for the newly formed G-20 to emerge as the leading forum for addressing North-South divide issues such as competitiveness and cohesion, or openness and equality.

Readers will be right to point out that, individually, these are probably modest steps and, as noted, speculative ones at that. But they are all in the direc-

tion of civilizing globalization. Moreover, and also along speculative lines, the factors driving these initiatives have staying power since they are consistent with emerging trends. This is especially so when it comes to the role of citizens in terms both of their human-capital and information-empowerment dimensions. Not only are these forces non-reversible, but they are only in their infancy. Progressively, the 21st century will be about people, about mortarboards, and not about boards and mortar. The time has come to cease railing against capital and MNEs and to direct attention toward promoting people as citizens and human capital. Ultimately, it will be citizens, acting collectively, that will civilize globalization both within and across countries. Toward this end, we need to be forward looking and to begin now to create the bridges and policies needed to usher in this new era.

Postscript: September 11, 2001

The above analysis was drafted and finalized without any reference to the dastardly deeds of September 11, 2001. In support of this approach, one could fall back on the excuse that the full ramifications of 9/11 are unknown, indeed unknowable. Nonetheless, there are a few areas relating to the prospects for embedding globalization, both domestically and internationally, where the implications appear sufficiently clear to warrant comment, albeit speculative comment. This is the purpose of the brief postscript.

On the domestic front, there is little doubt that Canada will be progressively drawn into the US security orbit or security perimeter. This is sure to have implications for Canadian policy in a broad range of areas relating, at a minimum, to immigration, refugees, border controls, passport screening and the like, but presumably extending into many other areas. Hopefully, part of the quid quo pro for harmonization on aspects of North American security will be full cooperation in terms of facilitating exports — for example, in-factory monitoring and computerization of cargos to expedite cross-border truck traffic. In any event, this limiting of the range of policy areas where Canada can legislate in its own likeness and image, as it were, may make more compelling the option of a citizen-based and human-capital identity for the northern half of North America.

Relatedly, as part of the aftermath of 9/11 both Canadians and Americans will be asking more of their respective governments. This is rather obvious on the security side — military/police replacing existing private airport security services, air marshals on airplanes, enhancing security at potential terrorist targets (postal stations, prominent buildings, bridges, nuclear plants, etc.). However, the call for

an enhanced role for government will likely also apply to food and drug monitoring, medical/disease preparedness as well as a host of other areas.

If this represents the "demand" for more government, what about the "supply"? Thanks in part to sharply reducing financial transfers to the provinces from 1995 onward (initially in absolute terms and, later, relative to GDP), the federal government was able to achieve budget balance by 1997, i.e. early in the cyclical boom. And for fiscal year 2000-2001, the federal budget surplus neared $20 billion. On the other hand, and again thanks to falling federal transfers, most of the provinces only achieved budget balance at or near the peak of the recent boom — essentially in the fiscal year ending in spring of 2001. While the economy was falling into recession in any event, the aftermath of 9/11 has dramatically worsened our economic prospects and, therefore, our fiscal prospects as well. Ottawa has a better-than-even chance to avoid falling into deficit but, led by British Columbia, virtually all of the provinces will spill red ink in fiscal year 2002-03, if not in the current fiscal year. Phrased differently, the federal government will be in a far better position to "supply" the public's "demand" for more government than will be the provinces. Will this serve to alter the pre-9/11 trend toward "glocalization" elaborated above?

Turning now to the implications relating to embedding globalization internationally, September 11, 2001 burst America's bubble of invulnerability. While some Americans may call for a pulling inward into a "fortress America," the reality is that US growth and security will require that it become more, not less, engaged internationally than ever before. The reasoning is similar to that in the text proper. In this era of democratized information and international networks, the Americans will progressively need the cooperation of national and supranational actors in order to ensure control within their own borders. In return for this cooperation, it is certainly within the realm of possibility that the U.S. will reciprocate by embarking on an international strategy that embodies both more flexibility in terms of the mandates of supranational organizations (e.g. recognizing "development" as a goal of the WTO) and more tolerance in trade pacts for accommodating (democratically instituted) practices and institutions across nations. This would be a major step along the way toward civilizing globalization.

Notes

It is a pleasure to acknowledge the many helpful comments from my colleague Robert Young. This analysis draws heavily from my recent book *A State of Minds: A Human Capital Future for Canadians* (2001). An earlier version of this essay appeared as "Social Dimensions of the New Global Order." In *Globalization and the Canadian Economy: The Implications for Labour Markets, Society and the State*, ed. Richard Chaykowski, 2001.

1 United Nations (1999, p. 2).

2 Rodrik (1997, p. 2).

3 Ruggie (1995, p. 508).

4 Rodrik (1997, p. 6).

5 Friedman (1999, pp. 90-91) defines the Electronic Herd as follows:
The Electronic Herd is made up of the faceless stock, bond and currency traders sitting behind computer screens all over the globe, moving their money around with the click of a mouse from mutual funds to pension funds to emerging market funds, or trading from their basements on the Internet. And it consists of the big multinational corporations who now spread their factories around the world, constantly shifting them to the most-efficient, low-cost producers.

6 Ruggie (1995, p. 508).

7 Ruggie (2000, p. 4).

8 While the focus here is on Canada, the analysis is rather general since the goal is to find ways to embed GIR in a national or domestic context.

9 This section is drawn from Part II of *A State of Minds*.

10 Ohmae (1990, dust jacket).

11 Johnson and Mayrand (forthcoming) note that over the past 10 years more than 100 developing countries and countries in transition have abandoned military or one-party rule.

12 Kymlicka (1997, p. 322).

13 Castells (1997, pp. 304-305).

14 Cited in Friedman (1999, p. 45).

15 Courchene (2001*a*, p. 36).

16 Clark (2000, p. 100).

17 Ostry (forthcoming).

18 Kymlicka (1997, p. 316).

19 Johnson and Mayrand (2000, p. 8).

20 Kymlicka (1997, p. 316).

21 Reich (1991).

22 Lasch (1994, p. 47).

23 Segal (2001).

24 Held (1995, p. 136).

25 Carnoy and Castells (1996, pp. 15 and 92).

26 Cable (1995, p. 43).

27 Courchene and Telmer (1998).

28 In the continental European context, the region state terminology has been utilized to embrace the "four motors" of Europe — Lombardy, Rhône-Alpe, Baden-Würtemberg and Catalonia. Ohmae (1993).

29 Courchene (2001*a*, ch. 14).

30 Brown et al. (2000, p. 275).

31 Drucker (1989, pp. 204-205).

32 Brown et al. (2000, p. 278).

33 Courchene (2001*a*, p. 154).

34 Courchene and Harris (1999).

35 Friedrich (1968, p. 7).

36 Ostry (1997, pp. 60-61).

37 Johnson and Mayrand (2000, p. 8).

38 Held et al. (1999, p. 431).

39 Castells (1996).

40 Paquet (1997, p. 30).

41 Cable (1999, p. 97).

42 Castells (1998, p. 330). Emphasis in original.

43 Keohane and Hoffman (1991, p. 13).

44 Trade scholars would probably disagree with this, arguing that the internal WTO dissension (i.e. the North-South divide) would probably have led to a collapse even without the demonstrations.

45 Wolfe (2000, p. 4).

46 Ostry (forthcoming).

47 Jacquet et al. (forthcoming, pp. 8-9).

48 Ostry (2001, p. 7).

49 Jacquet et al. (2001, p. 13).

50 Jacquet et al. (2001, p. 59).

51 Ostry (2001, p. 6).

52 Wolfe (2000, p. 4).

53 While a human capital emphasis is a

necessary condition for economic success, it is unlikely to be a sufficient one. Countries also need to have the requisite "software" in place, where software is best defined along the lines suggested by Friedman (1999, p. 129):

Software is a measure of the quality of a country's legal and regulatory systems, and the degree to which its officials, bureaucrats and citizens understand its laws, embrace them and know how to make them work. Good software includes banking laws, commercial laws, bankruptcy rules, contract laws, business codes of conduct, a genuinely independent central bank, property rights that encourage risk-taking, processes for judicial review, international accounting standards, commercial courts, regulatory oversight agencies backed up by an impartial judiciary, laws against conflicts of interest and insider trading by government officials, and officials and citizens ready to implement these rules in a reasonably consistent manner.

54 Keohane and Nye (2000, pp. 27-28).

55 Ostry (2001, p. 20). Much of this approach draws from Ostry.

56 Wolfe (1999, p. 203).

57 Rodrik (2001*b*, p. 1).

58 Rodrik (2001*a*, p. 3).

59 Rodrik (2000, pp. 356-357).

60 Rodrik (2001*a*, p. 4).

61 Rodrik (2001*b*, p. 33).

62 Jacquet et al. (2001).

63 Johnson and Mayrand (2002, forthcoming).

64 von Moltke (2001).

65 Johnson and Mayrand (2002, forthcoming).

66 Keohane and Nye (2000, p. 31).

67 Kymlicka (1997) and Kymlicka (forthcoming).

68 *The Economist*, December 11, 1999, p. 21.

69 Ruggie (2000, pp. 6-7).

70 Jacquet et al. (2001).

71 LeBoutillier and Bennett (2001).

72 These are slightly altered versions of six questions contained in LeBoutillier and Bennett (2001). It should be noted that John LeBoutillier and Avie Bennett are serving as commissioners on this task force.

73 Cable (1999, p. 31).

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